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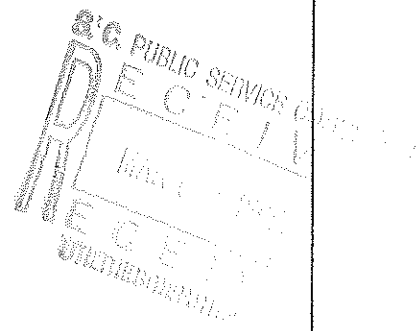
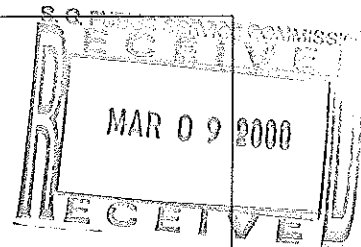
*Annual Review
Of
Base Rates for Fuel Costs
Of
Carolina Power & Light Company*

Docket No. 2000-001-E

*HEARING DATE
March 23, 2000*

*Testimony of
Jacqueline R. Cherry
Auditing Department*

The Public Service Commission of South Carolina



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4 **TESTIMONY OF JACQUELINE R. CHERRY**
5 **FOR**
6
7 **THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**
8
9 **DOCKET NO. 2000-001-E**
10
11 **IN RE: CAROLINA POWER & LIGHT COMPANY**
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13

14 **Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
15 **OCCUPATION?**

16 **A.** My name is Jacqueline R. Cherry. My business address is 101 Executive Center
17 Drive, Columbia, South Carolina. I am employed by the Public Service Commission
18 of South Carolina, Auditing Department, as an auditor.

19 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
20 **EXPERIENCE.**

21 **A.** I received a B. S. Degree in Business Administration, with a major in Accounting
22 from Johnson C. Smith University in 1976. I was employed by this Commission in
23 February 1979, and have participated in cases involving gas, electric, telephone,
24 water and wastewater utilities.

25 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
26 **PROCEEDING?**

27 **A.** The purpose of my testimony is to set forth, in summary form, the Staff's findings,
28 and recommendations resulting from our review of the Company's fuel adjustment
29 clause operation for the period January 1999 through March 2000. These findings
30 and recommendations are set forth in detail in the Staff's report.

31 **Q. WHAT WAS THE SCOPE OF YOUR AUDIT?**

1 A. The Auditing Department Staff traced the information as filed in the Company's
2 required monthly filing, to the Company's books and records. The audit covered the
3 period January 1999 through December 1999. The purpose of the audit was to
4 determine if Carolina Power & Light Company had computed and applied the
5 monthly Fuel Adjustment Clause in accordance with the approved clause. To
6 accomplish this, Staff examined the components surrounding the operation of the
7 clause.

8 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN THE**
9 **SCOPE OF THE AUDIT?**

10 A. The examination consisted of the following:

- 11 1. Analysis of Account # 151 – Fuel Stock
- 12 2. Sample of Receipts to the Fuel Stock Account – Account # 151
- 13 3. Verification of Charges to Nuclear Fuel Expense, Account # 518
- 14 4. An Analysis of Purchased Power and Interchange (Net)
- 15 5. Verification of KWH Sales
- 16 6. A Comparison of Coal Costs
- 17 7. Recomputation of Fuel Costs Adjustment Factor and Verification of
- 18 Deferred Fuel Costs
- 19 8. Recomputation of True-up for the (Over)Under-Recovered Fuel Costs
- 20 9. Analysis of Spot Coal Purchasing Procedures

21 **Q. MRS. CHERRY, WOULD YOU ELABORATE ON THE SCOPE OF YOUR**
22 **EXAMINATION?**

23 A. Staff's analysis of the Fuel Stock Account consisted of tracing receipts and issues
24 from the Fuel Management System by month to the General Ledger. Staff's sample
25 of receipts to the Fuel Stock Account consisted of randomly selecting transactions,
26 tracing each of these transactions to a waybill and a purchase order for
27 documentation purposes, and recalculating the transactions to insure mathematical
28 correctness. Staff verified nuclear fuel expense amounts to the Company's General
29 Ledger. The expenses were also verified to the monthly fuel reports filed by the

1 Company with this Commission. Staff performed an examination of the Company's
2 purchased power and interchange amount used in the Fuel Adjustment Clause for the
3 period January 1999 through December 1999. Staff obtained the details of
4 purchases and sales made by Carolina Power & Light Company to and from other
5 electric utilities and verified the amounts which are being used in computing total
6 fuel cost for each month. Furthermore, in accordance with PSC Order No. 90-961,
7 Docket No. 90-4-E, dated October 18, 1990, Staff was specifically directed to
8 examine the Company's nonfirm, off-system sales to preclude any possible problems
9 in this area and to include language in its audit procedures to address these matters.
10 Accordingly, Staff traced the sales and purchases transactions for January 1999
11 through December 1999 to the Company's monthly sales and purchases invoices.
12 Staff recomputed all of the sales and purchases. In accordance with Public Service
13 Commission Order No. 90-961, Docket No. 90-4-E, dated October 18, 1990, Staff
14 will continue to review the Company's nonfirm, off-system transactions during
15 future audits. Staff's review of KWH sales included verification of total system
16 sales as filed in the monthly factor computation. Staff prepared exhibits from
17 Carolina Power & Light Company's books and records reflecting coal costs during
18 the review period. Specifically, these exhibits are as follows:

19 Exhibit A – Coal Cost Statistics (and Weighted Average of Coal Received)

20 Exhibit B – Received Coal – Cost Per Ton Per Plant

21 Exhibit C – Received Coal – Cost Per Ton Comparison

22 With reference to Exhibit A, Coal Cost Statistics, Staff has reflected a detailed
23 analysis of spot and contract coal for the twelve-month period January 1999
24 through December 1999. The detail gives emphasis to tons received, cost per ton
25 received, total received cost, percentage of tons received and cost per MBTU. Also,
26 in Exhibit A, the Weighted Average of Coal Received is reflected for the twelve-
27 month period. In Exhibits B and C, Staff reflects a comparison of coal costs on a per
28 ton basis. Exhibit B is a comparison between Carolina Power & Light's plants and
29 Exhibit C is a comparison between companies.

1 Staff analyzed the cumulative under-recovery of fuel costs that the Company had
2 incurred for the period January 1999 through December 1999, totaling \$17,967,157.
3 Staff added the projected under-recovery of \$580,965 for the month of January 2000,
4 the projected over-recovery of \$79,659 for the month of February 2000, and the
5 projected under-recovery of \$428,196 for the month of March 2000 to arrive at an
6 cumulative under-recovery of \$18,896,659 as of March 2000. The Company's
7 cumulative under-recovery, per its testimony in Docket No. 2000-001-E, as of
8 December 1999 totals \$21,321,308 and as of March 2000 the cumulative under-
9 recovery totals \$22,250,810. The difference between the Company's and the Staff's
10 cumulative under-recovery as of actual December 1999 and as of estimated March
11 2000 is \$3,354,151. The cumulative difference as of December 1999 of \$3,354,151
12 is based on Staff's calculation adjustments to the Company's Purchased Power Costs
13 for January 1999 through December 1999 (per Staff's report), after Staff reviewed
14 the Company's Purchased Power invoices and reports.

15 As stated in Carolina Power & Light's S.C. Retail Adjustment for Fuel Costs Rider,
16 fuel costs will be included in base rates to the extent determined reasonable and
17 proper by the Commission. Accordingly, the Commission should consider the
18 under-recovery of \$18,896,659 along with the anticipated fuel costs for the period
19 April 1, 2000 through March 31, 2001, for the purpose of determining the base costs
20 of fuel in base rates effective April 1, 2000. The \$18,896,659 under-recovery figure
21 was provided to the Commission's Utilities Department. Refer to Exhibit G, South
22 Carolina Fuel Costs Computation, for details of the under-recovery computation.

23 **Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE AUDITING**
24 **DEPARTMENT'S AUDIT?**

25 **A.** Based on the Staff's examination of Carolina Power & Light Company's books and
26 records, a comparison of fuel costs among utilities, and the utilization of the fuel
27 costs recovery mechanisms as directed by this Commission, the Auditing
28 Department is of the opinion that the Company has complied with the directives of
29 the Commission.

1 **Q. MRS. CHERRY, WOULD YOU IDENTIFY THE REMAINING EXHIBITS**
2 **CONTAINED IN YOUR REPORT WHICH HAVE NOT BEEN**
3 **IDENTIFIED?**

4 **A.** The exhibits are as follows:

5 Exhibit D – Coal Fuel Stocks – Number of Days of Supply (All Plants)

6 Exhibit E – Total Burned Costs (Fossil and Nuclear)

7 Exhibit F – Cost of Fuel

8 Exhibit G – S.C. Fuel Costs Computation

9 **Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes, it does.